

Strategic Objective Grant Agreement (SOAG)

USAID Grant Agreement No. 278-008

STRATEGIC OBJECTIVE GRANT AGREEMENT
BETWEEN THE
UNITED STATES OF AMERICA
AND
THE HASHEMITE KINGDOM OF JORDAN
FOR THE
ENHANCED INTEGRATED WATER RESOURCES
STRATEGIC OBJECTIVE

DATED: June 2, 2004

Brooke A. Isham
Certified conformed copy of
agreement signed on June 02, 2004

APPN:
BPC:
RCN:

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| FUNDS AVAILABLE FOR | |
| ADM. RES. <input type="checkbox"/> | OBLIGATION <input checked="" type="checkbox"/> |
| EM. RES. / EM. <input type="checkbox"/> | COMM. RES. / COMM. <input type="checkbox"/> |
| ACTION TAKEN BY <i>18</i> DATE <i>6/3/04</i> | |
| APPROPRIATION: <i>724/51037</i> | |
| BPC: <i>HES4-04-23278-KG13</i> | |
| RCN / ECN: <i>A040104</i> | |

Brooke Isham
Director
Office of Program Management

Strategic Objective Grant Agreement

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STRATEGIC OBJECTIVE GRANT AGREEMENT

Dated: June 2, 2004

Between

The United States of America, acting through the United States Agency for International Development ("USAID")

and

The Hashemite Kingdom of Jordan, acting through the Ministry of Planning and International Cooperation ("Grantee")

Article 1: Purpose

The purpose of this Strategic Objective Grant Agreement ("Agreement") is to set out the understanding of the parties named above (the "Parties") about the Strategic Objective described below.

Article 2: Strategic Objective and Results

Section 2.1. Strategic Objective. The Strategic Objective ("Objective") is to enhance integrated water resources management to address the critical issues of adequate water resources for Jordan in the future.

Section 2.2. Results. In order to achieve that Objective, the Parties agree to work together to achieve the following four Intermediate Results:

- (a) Improved Environmental Protection
- (b) Optimization of Water Resources
- (c) Strengthened Water Policies and Systems
- (d) Improved Resources Allocation

Section 2.3. Amplified Description, Annex 1, attached, amplifies the above Objective and Results. Within the limits of the above definition of the Strategic Objective, Annex 1 (including the Intermediate Results set forth above and indicators for measuring progress in achieving those Results) may be changed by written agreement of the authorized representatives of the Parties named in Section 7.2 without formal amendment of this Agreement.

Section 2.4. Strategic Objective Agreement for Strategic Objective number 278-002. The Strategic Objective Agreement for Strategic Objective number 278-002, signed between USAID and the Government of Jordan on September 26, 1996, as amended, is hereby incorporated into and replaced by the present Agreement. Funds already obligated but not yet disbursed under Strategic Objective number 278-002 will be disbursed in accordance with the terms of the present Agreement. All terms and conditions of this Strategic Objective Agreement shall take precedence over the terms and conditions of the prior Strategic Objective Agreement which are being incorporated into this Strategic Objective Agreement. In the case of conflict, the terms of this Agreement supercede those of any prior agreement.

Article 3: Contributions of the Parties

Section 3.1. USAID Contribution

(a) The Grant. To help achieve the Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of the Agreement not to exceed thirty nine million five hundred eighty thousand eight hundred sixteen United States ("U.S.") Dollars (\$39,580,816) (the Grant").

(b) Total Estimated USAID Contribution. USAID's total estimated contribution to achievement of the Objective will be three hundred and sixty million U.S. Dollars (\$ 360,000,000), which will be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose and the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

(c) If at any time USAID determines that its contribution under Section 3.1(a) exceeds the amount which reasonably can be committed for achieving the Objective or Results or activities during the current or next U.S. fiscal year, USAID may, upon written notice to the Grantee, withdraw the excess amount, thereby reducing the amount of the Grant as set forth in Section 3.1. Actions taken pursuant to this subsection will not revise USAID's total estimated contribution set forth in 3.1(b).

Section 3.2. Grantee Contribution

(a) The Grantee agrees to provide or cause to be provided all funds, in addition to those provided by USAID and any other donor identified in Annex 1, and all other resources required to complete, on or before the Completion date, all activities necessary to achieve the Results.

(b) The Grantee's contribution will not be less than the equivalent of U.S. \$ 30,000,000, or JD 21,000,000, including in-kind contributions. The dollar equivalent was calculated at the exchange rate of \$1= JD .70. The Grantee will report at least annually in a format to be agreed upon with USAID on its cash and "in-kind" contribution.

Article 4: Completion Date

(a) The Completion Date, which is September 30, 2009, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective and Results will be completed.

(b) Except as USAID may otherwise agree to in writing, USAID will not issue or approve documentation which would authorize disbursement of the Grant for services performed or goods furnished after the Completion Date.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, are to be received by USAID no later than nine (9) months following the Completion Date, or such other period as USAID agrees to in writing before or after such period. After such period, USAID, at any time or times, may give notice in writing to the Grantee and reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, were not received before the expiration of such period.

Article 5: Conditions Precedent to Disbursement

Section 5.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID:

(a) An opinion of counsel acceptable to USAID that this Agreement has been duly authorized or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(b) A statement in the name of the person holding or acting in the office of the Grantee specified in Section 7.2, and of any additional representatives, together with a specimen signature of each person specified in such statement.

Section 5.2. Additional Disbursements. Prior to additional disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which additional disbursement will be made, the Grantee will, except as the Parties may otherwise agree

in writing, be deemed by USAID to be making satisfactory progress in achieving the Strategic Objective and the Intermediate Results.

Section 5.3. Notification. USAID will promptly notify the Grantee when USAID has determined that a condition precedent has been met.

Section 5.4. Terminal Dates for Conditions Precedent.

(a) The terminal date for meeting the conditions specified in Section 5.1 is 120 days from the date of this Agreement or such later date as USAID may agree to in writing before or after the above terminal date. If the conditions precedent in Section 5.1 have not been met by the above terminal date, USAID, at any time, may terminate this Agreement by written notice to the Grantee.

(b) The terminal date for meeting the conditions specified in Section 5.2 is 120 days from the date of this Agreement or such later date as USAID may agree to in writing before or after the above terminal date. If the conditions precedent in Section 5.2 have not been met by the above terminal date, USAID, at any time, may cancel the undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and terminate this Agreement by written notice to the Grantee.

Article 6: Subcommitting, Subobligating and Disbursing Grant Funds

With respect to disbursements made under this Agreement, after satisfaction by the Grantee of the Conditions Precedent set forth in Section 5.1 ("First Disbursement"), the Grantee hereby agrees that USAID may subcommit, subobligate and disburse Grant funds available under Subsection (a) ("The Grant") of Section 3.1 ("USAID Contribution"), whether such use covers Foreign Exchange or Local Currency Costs described in Annex 2 ("Standard Provisions") hereof, so long as such actions and disbursements are consistent with the terms and conditions of Annex 1 ("Amplified Description") hereof, without any further approval or concurrence. USAID shall periodically inform the Grantee of all disbursements directly made by USAID under this Agreement, providing the Grantee with the amount(s) and purpose(s) of such disbursement(s). Prior approval of the Grantee, however, shall be required, for all disbursements of Grant funds made directly to the Grantee for, by way of example and not limitation, financing host country contracts let by the Grantee to achieve the Strategic Objective and Intermediate Results. Discussion will be routinely held between the parties concerning notification of activities and programs under this SO.

Article 7: Miscellaneous

Section 7.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in

writing or by telegram, telefax, e-mail or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To USAID:

Mail Address:

United States Agency for International Development
P.O. Box 354
Amman, 11118, Jordan

To the Grantee:

Mail Address:

Ministry of Planning and International Cooperation
P.O. Box 555
Amman, 11118, Jordan

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice. The e-mail addresses of the parties will be agreed upon through ILs.

Section 7.2. Representatives

(a) For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of Minister of Planning and International Cooperation and USAID will be represented by the individual holding or acting in the Office of Mission Director, each of whom, by written notice, may designate additional representatives.

(b) Amendments to Annex 1 made in accordance with Article 2 hereof may be made by the mutual agreement of the representative of USAID and the representative of the Grantee, provided, however, that revisions to the Financial Plan set forth in Annex 1 may be made by the mutual agreement of the representative or additional representative of USAID and the representative or additional representative of the Grantee so long as i) no component of such Plan is, as a result of any such revision or revisions, decreased by more than fifteen percent (15%), and ii) no USAID, GOJ or other Total set forth in the final bottom line of such Plan is changed.

(c) In coordination with the Ministry of Planning and International Cooperation, the individual holding or acting in the Office of the Minister of Water and Irrigation shall be an additional authorized representative of the Grantee for all purposes related to implementation activities hereunder with the authority to amend the Intermediate Results and their indicators as provided in Article 2 of this Agreement and the authority to act under Section 7.2(b) hereinabove.

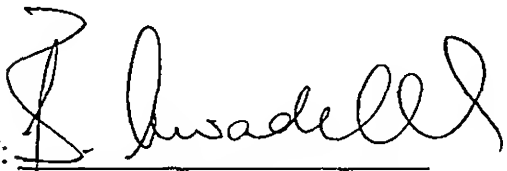
(d) The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID, which may accept as duly authorized any


instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

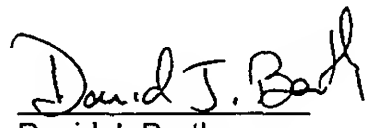
Section 7.3. Standard Provisions Annex. A "Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

Section 7.4. Language of Agreement. The language of the Agreement is English.

IN WITNESS WHEREOF, the United States of America and the Grantee, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

BY: 
H.E. Dr. Bassem Awadallah
Minister of Planning and International
Cooperation

BY: 
Edward W. Gnehm
U.S. Ambassador

BY: 
David J. Barth
USAID Acting Mission Director

ANNEX 1

ENHANCED INTEGRATED WATER RESOURCES MANAGEMENT STRATEGIC OBJECTIVE (SO8)

AMPLIFIED DESCRIPTION

I. INTRODUCTION:

This Annex describes the activities to be undertaken and highlights the results to be achieved with the funds obligated under this Agreement. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of the Agreement.

II. BACKGROUND:

As a result of an arid climate and a shortage of surface water supplies, Jordan is one of the ten most water-deprived countries in the world. Available per capita fresh water lags far behind that available in most other countries. Daily per capita water consumption rate is quite low. Since water is necessary for both human and economic development, this extreme water scarcity will clearly continue to be a very serious constraint to Jordan's economic growth.

Over the past two decades, the Ministry of Water and Irrigation (MWI) has realized important gains in addressing the challenge of satisfying the rapidly growing demands of communities, industries and farmers, all in the face of a very limited natural supply of water and regional unrest that resulted in influxes of refugees. Nonetheless, the challenges are still enormous and hard decisions ought to be made. Thus, water sector institutions must be further strengthened to establish a water sector that is efficient and financially viable.

Currently, readily available freshwater supplies are fully utilized. All new water supply sources are expensive to build and operate as energy costs are expensive and currently constitute the second largest expense in the Water Authority of Jordan (WAJ) budget. Accordingly, once operational, the total cost of the water supplied into the system will rise considerably as these sources become larger and larger percentages of the total supply. This rise in costs will accelerate over time and have a significant impact on the overall financial status of the sector, necessitating either a

substantial government subsidy to the sector or significant water tariff increases.

In the coming years, the MWI foresees an ever-increasing gap between water supply and demand. The current deficit is forecasted to increase from 297 to 408 million cubic meters (MCM) per year. This dire forecast is predicated on sharply rising demand for municipal and industrial water from 466 to 758 MCM in 15 years and an increase from 791 to 900 MCM in the demand for irrigation water over the next five-year period. This deficit would occur even though an impressive construction program of conventional water collection and distribution facilities is planned.

To mitigate this problem, one major potential project, which is currently being heavily campaigned for by the GOJ, is "the Red Sea-Dead Sea Peace Conduit." The government hopes to get international support for building this multi-billion dollar project that will provide about 850 million cubic meters of fresh water annually to the three regional constituents, namely Jordan, Israel and the Palestinian Authority. This project, taking approximately 15 years to complete, also has high operational costs that will raise the cost of the freshwater in the water system even further, additionally burdening the sector's financial situation.

As these expensive water supply sources are discussed and developed, technology choices must take into consideration the long-term financial impacts associated with these technologies. Likewise, more emphasis should be placed on the management of the resources available. To date, scarce water has been treated as if it were abundant. Hence, water prices have been minimal and demand excessive. Jordanian citizens must be aware of these facts and stakeholders in the new realities.

Efficient water allocation is also a problem. Two-thirds of the country's water goes to low-value agricultural crops. While irrigation and agricultural projects have a social dimension that is recognized by the government and donors, the cost to the nation is very high and the return on investment rather low. And, low prices for irrigation water provide limited incentive to improve irrigation efficiencies, even though the combination of large volumes of water used and the low efficiency level make a prime target for implementing improvements. Unfortunately, the higher value needs of urban

consumers, industry and tourism go unmet. Although the MWI and the GOJ have approved a National Agriculture Strategy as well as water allocation and protection policies, implementation needs to be accelerated. If implementation of the agriculture strategy proceeds in a constructive manner, the Mission could provide assistance for the agriculture sector due to the substantial impact it will have on the Kingdom's water resources.

Another important issue is that about half of the water supplied to the municipal sector is unaccounted for due to physical and administrative factors. As a result, expensive and limited potable water is wasted, burdening GOJ finances and limiting municipal supplies. This problem exists despite recent efforts to develop new water resources and increase pumping from the Jordan Valley to Amman. As a result, the 1.5 million residents of the capital city receive less than 100 liters of water per person per day. Depending on the zone in which they live, they receive their entire weekly supply in only one or two days. The situation for most people living in communities outside the capital is little better. This crisis can only worsen as the total amount of economically available water resources levels off and the population rapidly grows, while Jordanians expect a higher standard of living, including plentiful water supplies. Therefore, the Mission will stress reduction of unaccounted for water as a top priority.

Wastewater treatment offers one solution. Currently, roughly three percent of rural areas have access to wastewater services. Coupled with the anticipated growth in wastewater generated by the municipal and industrial sectors, major expansion of existing wastewater collection systems and treatment plants will be required. If properly planned, wastewater effluent generated by these plants can augment agricultural water supplies and free much needed fresh water for municipal use. Community involvement in planning and reuse will lead to economic and environmental benefits.

Lately, the GOJ has been active in pursuing measures to protect Jordan's most valuable natural resource. The newly issued groundwater by-law is a revolutionary measure that, if properly enforced, will have a profound effect on the protection of the Kingdom's groundwater aquifers. Irrigation efficiencies and reuse of reclaimed water is gaining momentum as a means to improve the lives of rural communities without augmenting their water supplies. Another avenue pursued by the MWI is expanding sewage services to small rural

communities, which protects the watershed, promotes reuse for income generating activities, and improves living standards.

III. THE WATER QUALITY IMPROVEMENT AND CONSERVATION PROJECT,
THE WATER RESOURCES STRATEGIC OBJECTIVE (SO 2) AND THE
ENHANCED INTEGRATED WATER RESOURCES MANAGEMENT STRATEGIC
OBJECTIVE (SO 8):

The GOJ and USAID entered into the Project Agreement for the Water Quality Improvement and Conservation (WQIC) Project on March 3, 1993, as amended by Agreement No. 1 of September 8, 1994. The purpose of this project was to increase the quality and quantity of the water available in the Zarga Basin system, and other critical areas in Jordan through water conservation. As a result of the "reengineering" of USAID worldwide, USAID, instead of funding projects, was directed to work towards defined Strategic Objectives, which in turn are to be realized through the achievement of defined results. The achievement of results is to be monitored and evaluated using objectively verifiable indicators. In keeping with the reengineering of USAID, the WQIC Project has become the Water Resources Strategic Objective. Subsequent Amendments and the Restated Description attached to them as an annex also reflect that change. The activities stated the Amended and Restated Grant Agreement of September 26, 1996 and its subsequent Amendments No. 1 through 9 are still valid although not mentioned in this new Strategic Objective Grant Agreement (SOAG No. 278-008). The illustrative activities under this new SOAG are stated below.

IV. INTERMEDIATE RESULTS TO ACHIEVE THE STRATEGIC OBJECTIVE:

1) The Strategic Objective

The Strategic Objective, which is to enhance integrated water resources management, addresses the critical issues of inadequate water supplies in Jordan and Jordan environmental protection. This Strategic Objective seeks to strengthen the capacity of environmental management institutions, including monitoring and protection of surface and groundwater. It also covers the capacity increase of potable water supply and wastewater treatment including reuse.

2) INTERMEDIATE RESULTS

The Strategic Objective for this Agreement will be accomplished through the achievement of four (4) Intermediate Results. These four results follow:

- i) Intermediate Result 1: Improved Environmental Protection.
- ii) Intermediate Result 2: Optimization of Water Resources.
- iii) Intermediate Result 3: Strengthened Water Policies and Systems.
- iv) Intermediate Result 4: Improved Resources Allocation.

Results and indicator will be developed at a stage prior to implementation.

V. ILLUSTRATIVE ACTIVITIES:

The Parties agree to finance activities in the areas of four intermediate results as summarized below:

1) Improved Environmental Protection (Intermediate Result 1):

Counterparts in this field include the newly established Ministry of Environment (MOE), MWI and the Aqaba Special Economic Zone Authority (ASEZA). While USAID/Jordan will not establish a separate environmental Strategic Objective, it will continue to support activities that improve sustainable environmental approaches and policies that protect natural resources and allow economic growth. Activities will resolve monitoring and protection of the surface and groundwater supplies. Special emphasis will be placed on supporting the establishment of appropriate monitoring and enforcement initiatives including the issuance of essential by-laws, processes, expansion of protected areas, and land use planning. Support for achievement of results under IRI may include technical assistance, procurement of commodities and services, construction and training in the following areas:

- i) Strengthening MOE empowered by sound by-laws and reorganization standard operating procedures
- ii) Environmental protection integration with socio-economic development and land use planning
- iii) Appropriate wastewater treatment capacity for rural and remote community wastewater systems causing pollution to watersheds
- iv) Improve waste disposal (e.g. hazardous, medical and or solid)

The following represent illustrative activities in support of IR1:

- Technical and institutional support to the MOE in the field of sound by-laws and reorganization standard procedures.
- Technical and institutional support to ASEZA in the field of environmental protection
- Updating the Greater Amman- Zarqa River Basin Wastewater Treatment Master Plan.
- Preparation of Jordan Wastewater Reuse Master Plan including formulation of pertinent policies.
- Review and assessment of operation and maintenance of Jordan Wastewater treatment facilities.
- Review and assessment of operation and maintenance of Jordan water treatment facilities.
- Prepare a human resources strategy that include training and institutional building for the GOJ and pertinent local NGOs.
- Technical support to the pertinent GOJ agencies in hazardous, medical waste handling and disposal
- Upgrading Wastewater Treatment facilities including a reuse program integrated with socio-economic development.
- Design and construct upstream remedies to protect existing springs and watershed resources.

2) Optimization of Water Resources (Intermediate Result 2):

Jordan is in a desperate race to match supplies with demand. To keep the water deficit small, the GOJ is developing new water supplies with significant levels of donor support. However, most of the untapped water resource now being developed is quite expensive. Accordingly, it will be critical to ensure that appropriate technology is utilized. Reuse of water must be pursued vigorously to replace good quality fresh water whenever possible.

USAID will support using reclaimed water, improving municipal and irrigation efficiencies, reducing unaccounted-for water, promoting substitution of high water usage activities with more water efficient uses, and decreasing GOJ and donor subsidies. This will be accomplished by promoting appropriate tariff structures for water and wastewater, improving planning of water resources by GOJ, increasing conservation and water use efficiency by all Jordanians, and

promoting the use of appropriate technologies in the sector. Because of their different roles, men and women tend to utilize the resources differently, thus requiring different knowledge and expertise. Accordingly, gender differences will be taken into account when designing and implementing activities.

Support for achievement of results under IR2 may include technical assistance, procurement of commodities and services, construction, and training in the following areas:

- i) Use of reclaimed, brackish and desalinated water prevalent, in the agricultural, industrial and municipal sectors.
- ii) On-farm water use resulting in increased economic return on agricultural water.
- iii) Better water use efficiency within the municipal sector (public buildings and private homes).
- iv) Reduction of municipal water network leakage.
- v) Capacity increases of potable water supply systems.
- vi) Adoption of an effective plan for the implementation of an appropriate tariff structure for water and wastewater that will result in financial sustainability and encourage water conservation.
- vii) Appropriate technology decisions to be adopted by the GOJ.
- viii) Informative outreach programs implemented on watershed management, water conservation measures, farming practices and other water-related issues, all the while taking into consideration the different roles of men and women.

The following represent illustrative activities in support to IR2:

- Education program to Improve Irrigation Water Use Efficiency (KAFA'A) Project
- Design and construct Zarqa River Basin wastewater facilities
- Restructuring and Rehabilitation of Ma'an Water Supply System
- Restructuring and Rehabilitation of Mafraq Water Supply System
- Restructuring and Rehabilitation of Tafila Water Supply System
- Inflow and Infiltration Reduction in Greater Amman (I&I)

- Al Wehdeh Dam Water Conveyance and Treatment Facilities (Design and Construction)

3) Strengthened Water Policies & Systems (Intermediate Results 3):

Limitations in the institutional capacity of the water sector, coupled with large increases in population and limited funding has created a situation in which MWI is driven to "managing by crisis". As a result, strengthening policies and systems has been highlighted as a high priority in every water sector assessment performed in the last 12 years.

USAID will target assistance on selected initiatives and help modernize the involved institutions to improve their performance. Assistance will target areas such as improving planning and allocation of water, promoting the adoption of selected water policies, building a comprehensive information platform for the sector, and more strategic management of the sector. A national master plan for water resources and sector activities will be supported, which will further strengthen the planning process. This will include the development and implementation of gender-sensitive water resource management strategies and action plans where appropriate. Support for achievement of results under IR3 may include technical assistance, procurement of commodities and services, construction and training in the following areas:

- i) Building regulatory and enforcement capabilities
- ii) Analysis of current policies and their long-term impact as well as how different policies complement or conflict.
- iii) Appropriate private sector participation and /or corporatization of the water sector.
- iv) Utilization of the National Water Sector Master Plan
- v) Capability building for all operating levels of MWI, JVA and WAJ involved in planning, implementing and monitoring activities.
- vi) Capacity building within the water sector institutions in planning for capital investment projects.
- vii) Multi-year financial projection including new private sector participation cost and future operation and maintenance cost.
- viii) Decrease reliance on foreign donors and GOJ subsidies.

The following represent illustrative activities in the support of IR3

- Analyze the current water sector policies and their long-term impact as well as how different policies complement or conflict. Establish a plan to encourage the GOJ agencies to adopt appropriate policies
- Support the development and implementation of appropriate private sector and/or corporatization in the water sector.
- Review and expand the National Water Sector Master Plan that sets sector policy at the macro level. Analyze current policies and investment plans to determine the sector's best interests in the long run, especially as related to gender integration, environment protection, and alleviation of poverty.
- Build the capability for all operating levels of the water system to develop; implement and monitor strategic business plans, thus improving planning and monitoring activities.
- Prepare, develop and implement a comprehensive Information Technology Master Plan for the water sector that will establish the system and /or technologies to be used.
- Build capacity within the GOJ's water sector in planning and assessment of capital investment projects.
- Strengthen capacity to prepare and use multi-year financial projections, including new private sector participation payment obligations and future operation and maintenance costs.
- Provide capacity building assistance to Aqaba Water Company (AWC) and Jordan Valley Authority.
- Promote private sector fish farming operations.

4) Improved Resource Allocation (Intermediate Results 4)

Water allocation policies that take into account the scarcity of resources and water quality constraints have been approved by the GOJ. However, implementation has been gradual and still requires tough decisions with considerable social impacts. Nonetheless, if Jordan is to live within its means in the future, then improved resource allocation and elimination of over-drafting of groundwater supplies must be realized over this decade.

To achieve better allocation of resources, USAID support will be targeted to improve management and control of groundwater over-drafting, expand wastewater treatment capacity and promote wider use of reclaimed water. Development and implementation of comprehensive plans utilizing water system economics and processes will also be required to help Jordan cope with limited water resources. Support for achievement of results under IR4 many include technical assistance, procurement of commodities and services, construction and training in the following areas:

- i) Expansion of wastewater treatment capacity along with effluent reuse;
- ii) Groundwater monitoring and enforcement;
- iii) Infrastructure needed to improve water resource allocation;
- iv) Implementation of the adopted GOJ water allocation and reuse policies; and;
- v) Economic studies for good capital investment planning

The following represent illustrative activities of IR4:

- Expand wastewater treatment capacity to include small and medium-sized communities to produce good quality effluent for successful reuse in agriculture and industry.
Potential projects:
 - Design and construct North Shuneh wastewater treatment facilities and reuse system
 - Construct South Amman wastewater treatment facilities and reuse system
 - Design and construct Mazar, Muta and Aldaniya treatment facilities including a reuse system.
 - Upgrading of Kufranjah Wastewater treatment facilities including a reuse system
 - Design and construct Al-Jiza and Talbiha wastewater treatment facilities including a reuse system.
- Assist in providing selected infrastructure to improve water resource allocation
- Provide assistance to MWI to establish a Groundwater Monitoring and Enforcement Unit that will help implement the new groundwater by- law.
- Collaborate with the GOJ to design, adopt and enforce by-laws and regulations that will accelerate the implementation of the adopted GOJ water allocation and reuse policies.

- Prepare economics studies for capital investment planning.

This illustration list is suggestive of the types of activities funded with resources provided under SOAG No. 278-008 and its future amendments. USAID may partially or fully fund any of these activities, and/or other mutually agreed to activities, subject to availability of funds.

This program has been designed to allow flexible selection and modification of activities over time in order to best achieve the strategic objective and intermediate results identified above. The emphasis under this program will be on achievement of agreed-upon results, not simply completion of specific activities. Consequently, activities to be financed under this Agreement, such as feasibility studies, technical assistance, training, design and construction, have not been specified in detail in this Amplified Description.

Although this agreement offers consideration flexibility and scope for selecting suitable activities to be financed under it, to be eligible for financing hereunder any activity must:

- 1) contribute to the strategic objective and intermediate results identified above;
- 2) be supported by cost estimates that are reasonable and accurate, and have appropriate analysis, including feasibility analyses with regard to institutional, technical, environmental, financial, and social soundness, or other measures of feasibility; and
- 3) be likely to be completed within the time frame and budget specified in the proposal.

Additional criteria for selection of activities could include customer demand, USAID comparative advantage, previous experience/ "lessons learned", sustainability, cost-sharing, etc.

USAID will coordinate with the GOJ and other relevant parties prior to selection of activities for funding, using means appropriate under the circumstances.

VI. MONITORING AND EVALUATION:

USAID and the GOJ jointly agree to provide resources and information for comprehensive evaluation of progress towards achievement of the Strategic Objective, Intermediate Results

and Sub-results, including progress on specific tasks illustrated in Section V. "Performance Audits" may be conducted, based on specific indicators which measure progress in achieving Intermediate Results.

Financial audits of various activities and assistance instruments will be conducted in accordance with relevant standard provisions contained in Annex 2 of this agreement. As determined during the course of implementation of this Agreement, USAID and the GOJ may jointly authorize an external evaluation of the progress and impact of the activities towards accomplishing the Strategic Objective and Intermediate Results.

Each contracting/assistance instrument will include a performance monitoring tool to permit USAID and the GOJ to evaluate progress towards the goals and objectives of the respective contract/instrument.

The host country contribution which is identified in Attachment 1 to this Annex includes cash and in-kind contributions to be made by the Government of Jordan to the USAID-Funded projects over the life of the SO. The Government of Jordan will achieve its contribution level by allocations to water resource projects and activities from the Local Currency program jointly managed by USAID/Jordan and the Ministry of Planning and International Cooperation. The Government of Jordan will report their contribution to USAID on annual basis. The report format and requirements will be established through a Program Implementation Letter (PIL). The SOAG agreement, the SOAG amendment or implementation letter will identify the custodian of the auditable records supporting the host country contribution and where the records will be maintained. The agreement/PIL shall also require that the auditable records be made available for review by USAID and its representatives, and/or GOJ audit institutions upon request. The description of the contribution and budget will be updated each time the SOAG is amended, or until all categories of host country contribution are described and quantified.

VII. FINANCIAL PLAN:

The Financial Plan (Attachment 1) may be amended in accordance with Sections 3.1 (c) and 7.2 of the Agreement without formal amendment of the Amended and Restated Grant Agreement.